

Message Text

SECRET

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ACTION EUR-12

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FM AMEMBASSY LISBON

TO SECSTATE WASHDC IMMEDIATE 9731

S E C R E T LISBON 0146

DEPARTMENT PASS TREASURY FOR UNDER SECRETARY YEO AND SYVRUD

E.O. 11652: GDS

TAGS: EAID, EFIN, PO

SUBJECT: FINANCIAL ASSISTANCE FOR PORTUGAL

1. ECONOMIC COUSELOR MET AFTERNOON JAN 6 WITH BANK OF PORTUGAL GOVERNOR SILVA LOPES AT LATTER'S REQUEST. SILVA LOPES REPORTED THAT HIS DISCUSSIONS WITH IMF DELEGATION CURRENTLY VISITING LISBON INDICATE CLEARLY THAT PORTUGAL CANNOT EXPECT TO REACH AGREEMENT IMMEDIATELY ON MULTI-TRANCHE DRAWINGS. GOP EXPECTS TO REACH AGREEMENT ON FIRST TRANCHE QUICKLY, BUT DOES NOT ANTICIPATE AGREEMENT FOR SECOND OR HIGHER TRANCHE STANDBY UNTIL LATE APRIL OR MAY. DELAY IN MULTI-TRANCHE AGREEMENT WOULD MEAN THAT OPTION 2 UNDER HEADING 5, PARA A OF DECEMBER 31 DRAFT AGREEMENT ON ESF SWAP CANNOT BE UTILITZED AS SOON AS HAD BEEN EXPECTED.

2. IN ORDER TO PARTIALLY FILL THIS GAP, SILVA LOPES SUGGESTED POSSIBILITY OF SWAP ARRANGEMENT PREDICATED ON GOP DRAWING AGAINST COMPENSATORY FINANCING FACILITY (CFF) OF THE FUND. SILVA LOPES FELT THAT, BASED ON HIS DISCUSSIONS WITH IMF DELEGATION, GOP WOULD BE ABLE TO DRAW ON THE CFF BY LATE JUNE OR JULY AN AMOUNT EQUAL TO 25 PERCENT OF PORTUGAL'S IMF QUOTA. HE SUGGESTS, THEREFORE, THAT

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THE DRAFT AGREEMENT CONCLUDED ON DECEMBER 31 BE AMENDED BY INSERTING THE FOLLOWING, UNDER PENDING 5, PARA A, AS THE SECOND OF WHAT WOULD THEN BE FIVE CHOICES: BEGIN QUOTE \$35 MILLION WOULD BE AVAILABLE IMMEDIATELY, WITH THE UNDERTAKING BY PORTUGAL TO DRAW ON THE COMPENSATORY FINANCING FACILITY OF THE IMF IF NECESSARY TO REPAY THE CREDIT. THE CREDIT WOULD EXPIRE UPON PORTUGAL'S

ELIGIBILITY TO DRAW ON THE COMPENSATORY FINANCING FACILITY OR WITHIN NINE MONTHS OF THE ESTABLISHMENT OF THE SWAP ARRANGEMENT, WHICHEVER OCCURS EARLIER. END QUOTE.

3. SILVA LOPES STATED THAT HE WOULD TRAVEL TO BASLE, SWITZERLAND ON MONDAY, JANUARY 10 IN ORDER TO MEET WITH BIS OFFICIALS. HE WILL PURSUE THE POSSIBILITY OF THE BIS HANDLING PORTUGUESE FORWARD GOLD SALES. HE WILL BE STAYING AT THE SCHWEITZERHOF HOTEL. HE BELIEVES THAT U.S. SUPPORT FOR PORTUGUESE REQUESTS OF THE BIS WOULD BE HELPFUL.
OKUN

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Message Attributes

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